



HM Treasury

Internal Audit Quality Assessment Framework

May 2013



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Foreword

The Internal Audit Quality Assessment Framework is the Treasury's recommended approach to carrying out internal and external quality assessments. It has been designed to help evidence effective internal auditing in line with the Public Sector Internal Audit Standards, with a focus on outcomes that help our organisations to meet their public service delivery commitments.

The approach has been aligned to the Chartered Institute of Internal Auditors' professional guidance: Quality Assurance and Improvement Programmes¹. If the standards are followed appropriately, this should enable internal auditors to state that their work is "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Public Sector Internal Audit Standards require the chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The improvement programme must include periodic internal assessments and an external review at least every five years. For central government, the external review must be carried out by an independent contractor.

We aim to use the Framework to help drive forward the quality of internal audit in central government, enabling the sharing of good practice and the identification of common issues and areas for development. Feedback on the Framework should be provided to the Head of the Government Internal Audit Profession.

Chris Wobschall

Head of Government Internal Audit Profession,
HM Treasury

¹ http://www.iaa.org.uk/en/other/document_summary.cfm/docid/9E28989D-9091-4217-809D285BC517F901

1

Introduction

Introduction

1.1 The Internal Audit Quality Assessment Framework (IAQAF) is a tool for evaluating the quality of the internal audit service provided to an organisation or organisations. It applies to Group internal audit services as well as to autonomous services. It is intended to:

- facilitate identification of actions for continuous improvement;
- facilitate evaluation of progress with improvement plans; and
- provide an approach to both internal reviews (either by members of an internal audit service themselves or review by another internal audit service) and external Quality Assessment reviews which is not “tick box” and which goes beyond compliance with the Standards alone.

1.2 The approach is a development from the previous version of the IAQAF which was broadly inspired by the Risk Management Assessment Framework¹ (RMAF).

1.3 The IAQAF is intended to apply to all government internal audit services where compliance with the Public Sector Internal Audit Standards (PSIAS) is required. The definition of an internal audit service will vary depending on the arrangements in place for the particular government body. An internal audit service may be defined as:

- a group internal audit service with an overall assessment being made on the quality of the internal audit provided to the bodies that the group audits;
- the service received by a particular body (or group of bodies); and
- the service provided by a third party as part of an out-sourced or co-sourced arrangement.

1.4 The internal audit service should be clearly defined (with reference to paragraph 1.3 above) before the IAQAF is performed.

1.5 Where an internal audit service is provided by an integrated group (in accordance with the taxonomy provided in Annex B) the assessment should be performed on the group service as a whole, with specific reference to a representative sample of bodies to which the group service is provided. The results of the assessment should then be shared with each of the individual bodies that receive a service from the group.

1.6 Where the relationship between the organisation and the group service is considered to be Level 2 or below, the assessment should be performed on the core internal audit function that provides the service.

¹ http://www.hm-treasury.gov.uk/risk_management_assessment_framework.htm

1.7 Where an internal audit service includes work procured from a third party supplier, this should form part of the overall assessment. Where this is precluded within existing third party contracts this limitation should be noted in the report.

1.8 The term Chief Audit Executive (CAE) is used throughout the IAQAF to refer to the head of the internal audit service. This may be the Group Chief Internal Auditor, the Head of Internal Audit or the designated Head of Internal Audit, depending on the arrangements for the particular body and should follow the definition of the internal audit service as described above.

The approach

1.9 The Framework has four sections reflecting four questions that the evaluation should seek to address:

- Purpose and positioning – Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?
- Structure and resources – Does the internal audit service have the appropriate structure and resources to deliver the expected service?
- Audit execution – Does the internal audit service have the processes to deliver an effective and efficient internal audit service?
- Impact – Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation?

1.10 Each section is divided into several sub-sections covering key elements of an effective internal audit service as follows:

Purpose and positioning	Structure and resources	Audit execution	Impact
<ul style="list-style-type: none"> • Remit • Reporting lines • Independence • Risk based plan • Assurance strategy • Other assurance providers 	<ul style="list-style-type: none"> • Competencies • Technical training & development • Resourcing • Performance management • Knowledge management 	<ul style="list-style-type: none"> • Management of the IA function • Engagement planning • Engagement delivery • Reporting 	<ul style="list-style-type: none"> • Standing and reputation of internal audit • Impact on organisational delivery • Impact on governance, risk, and control

1.11 For each sub-section a series of statements of good practice are provided as a guide in determining the performance of the service. Against this an assessment should be made as to the degree of conformance using the following scale, aligned with the Public Sector Internal Audit Standards:

- **Fully Conforms** the reviewer concludes that the internal audit service fully complies with each of the statements of good practice.
- **Generally Conforms** means the reviewer has concluded that the relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects. For the sections and sub-sections, this means that there is general conformance to a majority of the individual statements of good practice, and at least partial conformance to the others, within the sub-section. As indicated above, general conformance does not require complete/perfect conformance.

- **Partially Conforms** means the reviewer has concluded that the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the board of the organisation.
- **Does Not Conform** means the reviewer has concluded that the internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives and good practice statements within the section or sub-section. These deficiencies will usually have a significant negative impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

1.12 An overall assessment of the performance of the internal audit service in conforming to good practice should be made using the same scale.

Performance of the evaluation

1.13 The IAQAF is premised on the assessment being performed by individuals with considerable experience of internal audit. It is expected that anyone involved in performing the evaluation will have operated at a senior level within an internal audit function and be professionally qualified.

1.14 It is recommended that a periodic evaluation be performed internally (either self assessment or by another internal audit service) to provide on-going feedback on the quality of the internal audit service.

1.15 In addition a formal assessment should be carried out by an independent, external contractor at least once every five years² as set out in the Public Sector Internal Audit Standards. The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team

1.16 Any internal reviews that have been completed (including just before an independent assessment) will be considered as part of the independent assessment with the results being captured as a comparator in the Summary Assessment table (Annex A).

1.17 In performing the evaluation, the individuals completing the assessment need to consider the evidence that exists to support the assessment as to whether the internal audit service being reviewed conforms to the statements of best practice. This evidence needs to be documented and space is provided for this on the following pages. Sufficient evidence should be documented such that another competent reviewer considering the same evidence would come to the same conclusion.

1.18 In each case a judgment call is required keeping in mind the definitions above, based on evidence collected during the course of the assessment undertaken. The existence of opportunities for improvement, or better alternatives does not in itself reduce a Generally Conforms rating.

1.19 It is expected that the evidence gathered will be a combination of:

- Interviews with stakeholders;

² PSIAS 1312 External Assessments

- A detailed review of a representative sample of completed audit files;
- A questionnaire to be completed by the 'customers' and staff of the internal audit service (see section 4); and
- Review of any other supporting evidence.

1.20 The individuals interviewed, the number of files selected and the number of questionnaire participants (both invites and responses) should be clearly set out in the report.

1.21 Where there is insufficient evidence to demonstrate the application of statements of best practice, actions should be identified which will help address the deficiencies. These should be documented as per the template below with each action being given a target date for completion and an identified individual with responsibility for ensuring its completion.

1.22 The assessment rating for each sub-section should be summarised in the Summary Assessment table included in Annex A.

1.23 The reviewer should provide an overall assessment based on the ratings for each section and their judgement as to the extent to which the internal audit service addresses the four questions set out in paragraph 1.9 above. The rationale for the overall assessment should also be documented.

2

Purpose and positioning

Does the internal audit service have the appropriate status, clarity of role and independence to fulfil its professional remit?

Remit		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> An internal audit Charter defines the purpose, authority and responsibility, within the organisation, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards The internal audit Charter is approved by the AO and the Board and is regularly reviewed, and communicated to all senior management and other relevant people The Charter defines the nature and scope of the assurance and consulting services provided to the organisation (including any assurances provided to parties outside of the organisation) is such that it can provide independent and objective assurance and is not part of the direct control framework The Charter clearly defines internal audit's role in evaluating and contributing to the development of risk management, control and governance processes Internal audit's role in relation to any fraud-related / investigations work is clearly defined within the Charter. 	<input type="checkbox"/> Fully conforms	
	<input type="checkbox"/> Generally conforms	
	<input type="checkbox"/> Partially conforms	
	<input type="checkbox"/> Does not conform	
	Associated references PSIAS: Code of Ethics 1000 Purpose, Authority and Responsibility 1110 Organisational Independence 1210 Proficiency 2110 Governance 2120 Risk Management 2130 Control	

Remedial actions	Target date	Responsibility
A.		
B.		

Reporting lines

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> The Board reviews and approves the appointment of the Chief Audit Executive (CAE) Reporting lines for the CAE support independence, with functional reporting to the Board The AO/Board agree the strategy/plans of the internal audit service The CAE or their representative attend all Board and/or senior management meetings, particularly where key issues are discussed relating to governance, risk management or control across the department and its ALBs The CAE meets regularly with the Accounting Officer The AO/Board Chair routinely see and consider the outputs of the internal audit service The Board is routinely updated with internal audit status and activity reports 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Fully conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Generally conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Partially conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Does not conform</td></tr> </table> <p style="margin-top: 10px;">Associated references</p> <p>PSIAS:</p> <ul style="list-style-type: none"> 1100 Independence and Objectivity 1110 Organisational Independence 1111 Direct Interaction with the Board 2010 Planning 2060 Reporting to Senior Management and the Board 		Fully conforms		Generally conforms		Partially conforms		Does not conform	
	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
<p>C.</p> <p>D.</p>		

Independence

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> Internal audit's position within the organisation is clearly established including authorisation for access to records, personnel and physical properties relevant to the performance of engagements The internal audit service is entirely free of executive responsibilities such that it can provide independent and objective assurance and is not part of the direct control framework Conflict of interests are identified, appropriately managed and avoided including those transferring to internal audit from elsewhere in the organisation Audit personnel are routinely rotated on assignments Audit personnel do not have any conflicting operating responsibilities or interests Consultancy work that internal audit may undertake is clearly defined and agreed by the Audit and Risk Assurance Committee Areas which have been the recipient of internal audit 'consultancy' work are subject to audit review by personnel independent of the consultancy work The CAE, at least annually, confirms to the Accounting Officer/Board the organisational independence of the internal audit activity The CAE notifies the appropriate parties if independence or objectivity is impaired in fact or appearance 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding: 2px;">Fully conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding: 2px;">Generally conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding: 2px;">Partially conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding: 2px;">Does not conform</td> </tr> </table> <p style="margin-top: 10px;">Associated references</p> <p>PSIAS:</p> <ul style="list-style-type: none"> Code of Ethics 1100 Independence and Objectivity 1110 Organisational Independence 1120 Individual Objectivity 1130 Impairment to Independence or Objectivity 		Fully conforms		Generally conforms		Partially conforms		Does not conform	
	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
E.		
F.		

Risk based plan			
Statements of good practice	Assessment	Evidence	
<p>A risk based internal audit plan has been developed which:</p> <ul style="list-style-type: none"> • considers the relative risk maturity of the organisation • considers the risk appetite as defined by management • includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, including identification of specialist skills, which may be required • is clearly designed to enable the CAE to deliver an annual opinion on the effective of Governance, risk management and the system of control • has been approved by the Accounting Officer and Board • has been promulgated to all relevant parties including members of the audit team, excluding any restricted information for senior managers only • is subject to regular review to ensure that it remains appropriate and current <p>Either the audit plan or a separate audit strategy document should:</p> <ul style="list-style-type: none"> • include an assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified • include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers • include an assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives • set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement 	<input type="checkbox"/> Fully conforms <input type="checkbox"/> Generally conforms <input type="checkbox"/> Partially conforms <input type="checkbox"/> Does not conform		
	Associated references PSIAS: 2010 Planning 2020 Communication and Approval 2030 Resource Management		

Remedial actions	Target date	Responsibility
G.		
H.		

Integration with other assurance providers

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the assurance framework Internal audit promote co-operation between internal and external audit (particularly as set out in the Good Practice Guide published by HM Treasury and National Audit Office) When auditing shared service functions consideration is given to audit work being performed by other audit services such that duplication is minimised When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed with each Board 	<table border="1"> <tr><td></td><td>Fully conforms</td></tr> <tr><td></td><td>Generally conforms</td></tr> <tr><td></td><td>Partially conforms</td></tr> <tr><td></td><td>Does not conform</td></tr> </table> <p>Associated references</p> <p>PSIAS: 2050 Coordination</p>		Fully conforms		Generally conforms		Partially conforms		Does not conform	
	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
I. J.		

3

Structure and resources

Does the internal audit service have the appropriate structure and resources to effectively deliver the internal audit remit?

Competencies to deliver IA remit		
Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> The CAE (for a group this would be both the Group Chief Internal Auditor and relevant designated Heads of Internal Audit) hold(s) a professional qualification (i.e. CMIIA, CCAB or equivalent professional membership) and is suitably experienced The audit function has access to the appropriate skills (technical expertise, qualifications, experience) required to ensure assurance can be provided in all areas of the business, for example in relation to fraud and knowledge of IT risks and controls Where there is a contracted out or partnership arrangement there is ongoing monitoring to ensure that contractors have the skills required for designated audit assignments 	<input type="checkbox"/> Fully conforms	
	<input type="checkbox"/> Generally conforms	
	<input type="checkbox"/> Partially conforms	
	<input type="checkbox"/> Does not conform	
	Associated references PSIAS: Code of Ethics 1210 Proficiency 1220 Due Professional Care	
Remedial actions	Target date	Responsibility
K.		
L.		

Technical training and development¹

Statements of good practice	Assessment	Evidence					
<ul style="list-style-type: none"> All new staff receive induction training including both into the internal audit service and induction into the organisation Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager Audit planning includes a sufficient time provision for training (including CPD) for all staff 	<table border="1" style="width: 100%;"> <tr> <td style="width: 30px; height: 20px;"></td> <td rowspan="4" style="text-align: center; vertical-align: middle;"> Fully conforms Generally conforms Partially conforms Does not conform </td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> </tr> </table> <p>Associated references</p> <p>PSIAS: Code of Ethics 1230 Continuing Professional Development</p>		Fully conforms Generally conforms Partially conforms Does not conform				
	Fully conforms Generally conforms Partially conforms Does not conform						

Remedial actions	Target date	Responsibility
M. N.		

¹ Where applicable reference should be made to the Civil Service Competency Framework

Resourcing

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications A succession plan exists to ensure that senior vacancies are filled promptly by appropriately qualified staff 	<table border="1"> <tr><td><input type="checkbox"/></td><td>Fully conforms</td></tr> <tr><td><input type="checkbox"/></td><td>Generally conforms</td></tr> <tr><td><input type="checkbox"/></td><td>Partially conforms</td></tr> <tr><td><input type="checkbox"/></td><td>Does not conform</td></tr> </table> <p>Associated references PSIAS: 2030 Resource Management</p>	<input type="checkbox"/>	Fully conforms	<input type="checkbox"/>	Generally conforms	<input type="checkbox"/>	Partially conforms	<input type="checkbox"/>	Does not conform	
<input type="checkbox"/>	Fully conforms									
<input type="checkbox"/>	Generally conforms									
<input type="checkbox"/>	Partially conforms									
<input type="checkbox"/>	Does not conform									

Remedial actions	Target date	Responsibility
O. P.		

Performance management

Statements of good practice	Assessment	Evidence
Appropriate personnel management and development procedures are in place within internal audit including: <ul style="list-style-type: none"> • Written job descriptions • Required competency frameworks • Recruitment procedures • Training and continuing education arrangements • Personal objectives setting and performance appraisal 	<input type="checkbox"/>	
	Fully conforms Generally conforms Partially conforms Does not conform	

Remedial actions	Target date	Responsibility
Q.		
R.		

Knowledge management

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> The internal audit service has systems in place to facilitate knowledge and sharing of best practice/organisational learning All staff attend regular team meetings to ensure that they remain up to date on knowledge of the organisation, the internal audit service and audit practices 	<input type="checkbox"/>	
	Fully conforms Generally conforms Partially conforms Does not conform	

Remedial actions	Target date	Responsibility
S.		
T.		

4

Audit execution

Does the internal audit service have the processes to deliver an effective and efficient internal audit service?

Management of the internal audit service			
Statements of good practice	Assessment	Evidence	
<ul style="list-style-type: none"> The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity Audit methodologies have been developed and are regularly reviewed and updated to ensure they are in line with current practice Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are consistent with the organisation's guidelines and any pertinent regulatory or other requirements Quality assurance procedures are defined and cover all aspects of the internal audit activity including: <ul style="list-style-type: none"> Supervision and review QA procedures and checklists including periodic internal quality reviews Compliance with applicable laws, regulations and government or industry standards Auditee / customer satisfaction surveys Periodic self assessments against the IAQAF are performed and actions taken to address weaknesses Performance of the internal audit service is monitored and reported in accordance with the defined Central Government performance measures, performance is benchmarked and any remedial actions are monitored and followed-up 	<input type="checkbox"/> Fully conforms <input type="checkbox"/> Generally conforms <input type="checkbox"/> Partially conforms <input type="checkbox"/> Does not conform		
	Associated references PSIAS: 1310 Requirements of the Quality Assurance and Improvement Programme 1311 Internal Assessments 2040 Policies and Procedures 2330 Documenting Information		

Remedial actions	Target date	Responsibility
U.		
V.		

Engagement planning

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> Detailed plans are developed and documented setting out the scope, limitations, objectives, resources, timing and reporting lines for each engagement Engagement plans are discussed and agreed with relevant management prior to the start of the fieldwork Engagement plans include consideration of the relevant systems, records, personnel, and physical properties including those under the control of third parties Plans include consideration of the risks to the area under review and the organisations' risk management and controls processes Budgets are developed for each engagement plan and are appropriate to the review scope and degree of associated risk Where areas require, particular specialist knowledge subject matter experts are identified and included as part of the audit team 	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Fully conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Generally conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Partially conforms</td></tr> <tr><td style="width: 20px; height: 20px;"></td><td style="padding: 2px;">Does not conform</td></tr> </table> <p style="color: #800000; margin-top: 10px;">Associated references</p> <p>PSIAS:</p> <ul style="list-style-type: none"> 2200 Engagement Planning 2210 Engagement Objectives 2220 Engagement Scope 2230 Engagement Resource Allocation 		Fully conforms		Generally conforms		Partially conforms		Does not conform	
	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
<p>W.</p> <p>X.</p>		

Performance of Audit work / audit delivery

Statements of good practice	Assessment	Evidence								
<ul style="list-style-type: none"> • Work programmes that will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement • Internal auditors use standard documentation to ensure that evidence and findings are adequately documented • Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable independent review and comprehension. • There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions • There is evidence to confirm that all engagements are led or supervised by suitably competent individuals • Audit findings are discussed and confirmed with auditees prior to report drafting • Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as possible 	<table border="1" style="width: 100%;"> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding-left: 10px;">Fully conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding-left: 10px;">Generally conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding-left: 10px;">Partially conforms</td> </tr> <tr> <td style="width: 30px; height: 20px;"></td> <td style="padding-left: 10px;">Does not conform</td> </tr> </table> <p>Associated references</p> <p>PSIAS:</p> <p>2240 Engagement Work Programme</p> <p>2310 Identifying Information</p> <p>2320 Analysis and Evaluation</p> <p>2330 Documenting Information</p> <p>2340 Engagement Supervision</p>		Fully conforms		Generally conforms		Partially conforms		Does not conform	
	Fully conforms									
	Generally conforms									
	Partially conforms									
	Does not conform									

Remedial actions	Target date	Responsibility
Y.		
Z.		

Reporting

Statements of good practice	Assessment	Evidence
<ul style="list-style-type: none"> • Communications are accurate, objective, clear, concise, constructive and timely • Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls • Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function's quality standards prior to the audit findings being distributed to the auditee • Findings and recommendations are appropriately classified according to relative levels of gross and net risk to the organisation • internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical • Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are released to management Audit issues are reported to appropriate levels of management and to the Audit Committee • The CAE informs the Audit Committee and Accounting Officer if he/she believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation • There is a procedure for follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action • Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures • The CAE presents to the Board and or Audit and Risk Assurance Committee, at least annually, a report of internal audit activity containing an opinion of the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes. 	<input type="checkbox"/> Fully conforms <input type="checkbox"/> Generally conforms <input type="checkbox"/> Partially conforms <input type="checkbox"/> Does not conform	
	<p>Associated references</p> <p>PSIAS:</p> <ul style="list-style-type: none"> 2410 Criteria for Communicating 2420 Quality of Communications 2440 Disseminating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks 	

Reporting		
Statements of good practice	Assessment	Evidence
Remedial actions	Target date	Responsibility
AA. BB.		

5

Impact

Has the internal audit service had a positive impact on the governance, risk and control environment within the organisation(s)?

5.1 The impact of the internal audit service is best assessed by obtaining the views of a wide range of 'customers', combined with tangible evidence of impact and comparing this to the internal audit management's corporate view of the internal audit service they provide.

5.2 The full range of customers of internal audit vary according to the organisation but as a minimum we would expect these to include Accounting Officers; Boards (including Non Executive Directors); Audit and Risk Assurance Committees (ARACs); and other senior management directly involved in the areas subject to internal audit review. In order to obtain the full range of views from customers, the following questions should form the basis of a questionnaire to be distributed to all parties and supplemented by a sample of interviews.

5.3 The table below should be used to aggregate responses from both the customers and to capture the internal audit management's corporate view.

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	Fully agree		
Standing and reputation of Internal Audit										
									Customers	Internal audit
Top level management trusts and values the advice of the CAE and the internal audit service										
The internal audit service is seen as a key strategic partner throughout the organisation										
Senior managers understand and fully support the work of internal audit										
Internal audit is valued throughout the organisation										
The internal audit service is delivered with professionalism at all times										
Impact on organisational delivery										
									Customers	Internal audit
The internal audit service responds quickly to changes within the organisation										
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate										

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments	
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	Fully agree		
The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes										
The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified										
Attempts are made to quantify the impact/benefits of internal audit recommendations, including on efficiency and effectiveness of the delivery of organisation objectives.										
The internal audit activity has achieved organisation-wide respect for demonstrating value in anticipating the organisation's needs and contributing to the achievement of strategic and organisational objectives										
There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service										
Has internal audit had a positive impact on Governance, Risk, and Control?	Customers				Internal audit					
The internal audit service includes consideration of all risk areas in its work programme										
Internal audit advice has a positive impact on the governance, risk, and the system of control of the organisation										
Internal audit activity has enhanced organisation-wide understanding of governance, risk, and control										
The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas										
The internal audit service raises significant control issues at an appropriate level in the organisation										
The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives										
Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation										

Aggregated Questionnaire Responses	Customers				Internal audit				Evidence and Comments
	Do not agree	Partially agree	Generally agree	Fully agree	Do not agree	Partially agree	Generally agree	Fully agree	
Delivery of organisation objectives has improved as the result of the internal audit work performed									
Internal audit activity promotes appropriate ethics and values within the organisation									

Remedial actions	Target date	Responsibility
CC. DD. EE.		
Associated references PSIAS: 2110 Governance 2120 Risk Management 2130 Control		

A

Summary assessment

	Previous internal assessment	Does not conform	Partially conforms	Generally conforms	Fully conforms	Comments	
Purpose & positioning							
• Remit							
• Reporting lines							
• Independence							
• Other assurance providers							
• Risk based plan							
Structure & resources							
• Competencies							
• Technical training & development							
• Resourcing							
• Performance management							
• Knowledge management							
Audit execution							
• Management of the IA function							
• Engagement planning							
• Engagement delivery							
• Reporting							
	Previous internal assessment	Do not agree	Partially agree	Generally agree	Fully agree	Comments	
Impact							
• Standing and reputation of internal audit							
• Impact on organisational delivery							
• Impact on Governance, Risk, and Control							
Rationale for overall assessment for sections 1-3 (Comments on Section 4 can be included)							
Overall assessment for sections 1-3							
Does not conform	<input type="checkbox"/>	Partially conforms	<input type="checkbox"/>	Generally conforms	<input type="checkbox"/>	Fully conforms	<input type="checkbox"/>

B

Group internal audit service levels

B.1 The levels set out in the taxonomy below reflect categorisation of what level of service will be provided to each body by the respective group internal audit service and encompasses the spectrum from full integration in the group service to an isolated service with no connection to a wider group.

Characteristic	Level 0 – Autonomous	Level 1 – Collaborative	Level 2 – Partnering	Level 3 – Integrated
Extent of Group Leadership	None	Individual HIA	Management team comprising all HIAs	GCIA to which all HIAs report
Approach to planning	Isolated	Plans shared	Plans shared	Plans aggregated
Resource allocation	Separate	Ad-hoc sharing	Shared	Single pool
Cross departmental family view of assurance	Non-contributory	Opinions shared	Common definition	Fully consolidated
Job descriptions	Separate	Shared	Harmonising	Harmonised
Approach to recruitment, training and development	Isolated	Common	Common	Common
Procurement of external resources	Isolated	Needs shared	Single point of procurement	Single point of procurement
IA methodology	Individual	Shared	Common	Common
Approach to reporting	Individual	Shared	Common	Common
Common SLA is applied	N/A	Yes	Yes	Yes
Performance Measures	Standard Performance Measures	Standard Performance Measures	Standard Performance Measures	Standard Performance Measures
Approach to quality assurance	Standard EQA	Standard EQA	Standard EQA	Standard EQA

HM Treasury contacts

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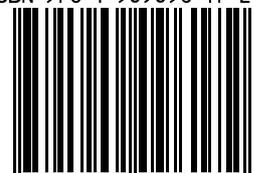
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